Tab 2). Nonetheless, in response to MPSC order, SBC Midwest has implemented a CSI accuracy plan designed to further enhance this already excellent performance.

54. Pursuant to this plan, SBC Midwest developed a Service Order Quality informational package for training LSC service representatives on the importance of accuracy and the impact of inaccurate orders on CLECs and end-users. The LSC also designed and implemented a Quality Review Process that provides for daily review of a sample of manually handled UNE-P and resale production service orders. Quality Assurance service representatives compare the internal service orders to the LSR submitted by the CLEC on a field-by-field basis. Any errors found are identified and corrected, and the root cause identified. This information is tracked and analyzed to determine whether any common issues or trends can be identified, as well as to develop and implement appropriate corrective action.

55. In an effort to further improve quality, new reports have been developed which will compare some critical fields on the service order to the corresponding fields on the LSR. If the values on the service order are not the expected values, the information for this mismatch appears on these reports. The reports, referred to as Service Order Quality Assurance Reports ("SOQAR"), are available on the SBC intranet and are accessed regularly by the LSC to make appropriate corrections to the accounts containing the errors. The three reports currently being used are the RUF/RRSO Report, Billing/ZULS Mismatch Report and the Missing Billing Information Report. These reports identify the following issues for correction:

a. RUF/RRSO Report – RUF and RRSO are FIDs used to relate telephone numbers on migrations to ensure the reuse of facilities. If there is a problem with this relationship, the report identifies the discrepancy for review.

b. Billing/ZULS Mismatch Report – The ZULS FID is used to identify the CLEC responsible for a given account. Among other things, this FID is important for processes that send LLNs as well as ensuring that the account is billed to the appropriate carrier. This report identifies scenarios in which the ZULS does not match expected values.

c. Missing Billing Information Report – This report identifies orders on which some portion of the Billing Information on the order does not match expected values.

56. Taken together, these facts demonstrate that MCI's purported concern, based on some 400 odd lines for which it received an incorrect LLN more than one year ago, that there is an "ongoing problem" with either the ACIS database or with the ACIS/CABS reconciliation, is completely unfounded. ACIS was and is a sound database that accurately reflects UNE-P provisioning activity in the Midwest Region. SBC Midwest does not contend that ACIS records are perfect. However, SBC Midwest has taken steps to ensure that the database is maintained in as accurate a manner as possible, that any opportunities for error are minimized, and that any actual errors are corrected as soon as reasonably possible after detection and that CLECs have a tool to review their data and request reconciliation. No CLEC has provided credible evidence to the contrary.

SBC MIDWEST'S BILLING DISPUTES IN CONTEXT

57. Unfortunately, it appears that two categories of evidence presented by SBC Midwest are being analyzed outside the context in which such evidence was presented.[44] First, SBC Midwest presented evidence reflecting that from January 2002 through April 2003,

[44] *See* Comments of TDS Metrocom, LLC, WC Docket No. 03-138, at 8-9 (FCC filed July 2, 2003) ("TDS Comments"); DeYoung/Tavares Decl. ¶ 39.

CLECs had disputed approximately 12.1% of their total billings.[45] Although SBC Midwest recognizes that this metric, standing alone, provides little insight into the efficacy of SBC Midwest's billing systems in Michigan, the evidence was not presented in isolation. This evidence was presented in response to generic allegations that CLECs have experienced an inordinate number of billing errors in Michigan, requiring them to spend an inordinate amount of time and money in auditing their Michigan bills and filing rate claims. As SBC Midwest demonstrated, however, SBC Midwest's claim records belie that allegation. Instead, the evidence indicates that over the same period of time (selected in order to normalize peaks and valleys in claim activity) other states for which SBC has received Section 271 authorization have received a generally comparable level of claims.[46] Thus, as the heading under which this evidence was presented indicates, SBC was merely attempting to place "SBC Midwest's Wholesale Billing Disputes in Context."

58. Similarly, questions have arisen with respect to SBC Midwest's evidence of approximately $25 million of disputes outstanding in Michigan as of May 2003.[47] AT&T asserts that the amounts in dispute cited by SBC Midwest "ignore the disputes of AT&T (and perhaps other CLECs) with respect to the credited and debited amounts resulting from the data reconciliation itself."[48] Any omission of AT&T claims has nothing to do with the type of claim submitted. Instead, AT&T fails to mention that as a company,

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[45] *See* Brown/Cottrell/Flynn Joint Supp. Aff. ¶¶ 111-114. The calculation includes all disputes handled by the LSC and would include any claims received during the timeframe quoted which were related to issues/errors which were resolved by the reconciliation. It does not include any claims not handled by the LSC, *i.e.*, collocation and Local Service Billing ("LSB") related claims. *See id.* nn.127-128.

[46] To be clear, SBC Midwest used the same methodology to derive all of the percentages for all states in its comparison.

[47] *See* Brown/Cottrell/Flynn Joint Supp. Aff. ¶¶ 121-131.

[48] *See* DeYoung/Tavares Decl. ¶ 39.

they refuse to use the SBC Billing Dispute process documented on CLEC online and used by most, if not all, other CLECs operating in SBC Midwest. Instead, AT&T insists on sending billing inquiries to their account team representative and working directly with that organization to reach resolution on their questions. This process completely circumvents the normal dispute process, thereby bypassing all tracking and formal notification of status and resolution that has been developed. Because of this, while AT&T may believe they have billing disputes open with SBC Midwest, in fact the number of actual disputes currently open between SBC Midwest and AT&T is only *** *** and none of this amount can be attributed to the CABS reconciliation process. SBC Midwest did not omit any claims filed with the LSC and tracked via the SBC Billing Dispute process in the calculation of claims in developing the data for its initial affidavit, and therefore did not omit any claims that were filed via this process for AT&T or any other CLEC, which related to the credited and debited amounts resulting from the data reconciliation.

59. Again, SBC Midwest recognizes that this evidence is meaningless in isolation. It was never intended nor should it be analyzed as a proxy for what might be deemed a reasonable amount of outstanding disputes at a given point in time. Any such analysis would be fruitless because there are far too many factors that affect the amount of disputes pending on any given date. As SBC Midwest has previously noted, disputes will inevitably arise in a complex commercial relationship such as that in which it and the CLECs operate. In some instances those disputes are resolved in favor of SBC Midwest and in some instances they are resolved in favor of a CLEC. Moreover, as SBC Midwest has candidly admitted, SBC Midwest has in the past – and in all likelihood will in the

future – encountered errors as part of the billing process. CLECs likewise make errors. But that does not mean that such errors are due to systemic problems with billing systems or that such errors deny CLECs a meaningful opportunity to compete.

60. Thus, the relevance of the $25 million figure presented by SBC Midwest was simply to demonstrate the nature of the pending disputes – the vast majority of which related to a single carrier. As SBC Midwest demonstrated, almost half of the disputed amounts related to contract interpretation issues – having nothing whatsoever to do with any potential problems with SBC Midwest's billing systems. Moreover, almost all of the remaining disputes fell into the category of rate administration issues and SBC Midwest demonstrated that it has proactively addressed such issues and has now provided adjustments as appropriate.

61. Accordingly, although neither of these pieces of evidence were intended to demonstrate – in isolation – the efficacy of SBC's billing process in Michigan, neither should they be ignored. If SBC Midwest's billing in Michigan is indeed as deficient as the CLECs argue – contrary to the third party testing results of BearingPoint and E&Y – one would expect to see an inordinately high rate of billing disputes in Michigan, yet no such evidence exists. Similarly, although the fact that $25 million in billing disputes were outstanding at a snapshot in time proves nothing in isolation, its relevance becomes clear upon consideration of the nature of the outstanding disputes. In this case, SBC Midwest demonstrated that the vast majority of such disputes are either based upon reasonable disagreement over complex contractual/tariff provisions or that they relate to specific issues that have been researched and resolved. The evidence was intended to demonstrate nothing more.

<u>SBC MIDWEST'S PROCESSES TO ENSURE BILL ACCURACY</u>

62. Several commenters have alleged that although SBC Midwest may have corrected past billing inaccuracies, SBC Midwest has not done enough to ensure that bills are accurate on a prospective basis.[49] Contrary to those allegations, SBC Midwest performs several activities in order to proactively identify potential billing problems. First, on a monthly basis, a sample of CLECs' most frequently billed products is verified to ensure that the rates billed for those products are the same as what should be billed per the interconnection agreement price schedules. The bill validation process consists of extracting monthly billing recurring and non-recurring activity from month end CABS data files for a sample of CLEC products. This is performed for each of the five Midwest states. These billed rates are then compared to the control rates, which are maintained independently from the CABS Production Rate Tables. The Control Rates are updated based on information obtained from the CLEC price schedules. Any rate variances between the rates billed and the control rate for the sampled products are investigated and corrected. Additionally, each month one account is selected in each state where a fractional charge was billed. The fractional charges are manually recalculated to ensure the amount billed in CABS was calculated correctly. The rationale behind selecting one account in each state is: if the Other Charges and Credits ("OC&C") programs are calculating the OC&C correctly for one transaction it will calculate correctly for all transactions since the same code is being used. Any rate variances between the fractional charges calculated and the charges on the bill are investigated and corrected.

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49 *See, e.g.*, DeYoung/Tavares Decl. ¶¶ 4, 40; Lichtenberg Decl. ¶ 45; TDS Comments at 8.

63. Second, on a bill period basis, the CABS Bill Data Tapes ("BDTs") are reviewed to ensure they conform to Industry Standard Billing Output Specification format and the data on the BDT is syntactically correct. These bills are validated for completeness by ensuring that the minimum number of records is present on the file. The BDT records must also total up correctly. All detail billing charge records are totaled and reconciled against the summary charge records. The monthly access charges, usage charges, OC&C and amount due totals are verified. For example, the sum of all Other Charges and Credits must equal the OC&C charge total on the bill. Any anomalies detected are investigated and corrected.

64. Third, monthly access charges, usage charges, OC&Cs (including non-recurring charges and adjustments), and total amount due are tracked and trended on a monthly basis by the CABS controls system. On a bill period basis, warnings may be generated if there is a significant discrepancy in any of the amounts from one month to the next month's bill. Warnings are investigated on a daily basis by reviewing the monthly bills and comparing the differences in the individual charges. When a large increase or decrease in billed revenue is detected, the appropriate service center is contacted by CABS Billing Operations to further investigate the customer's bill and correct as necessary.

65. Even further, SBC Midwest is constantly looking at ways to improve processes and performance. Effective July 1, 2003, SBC Midwest implemented an internal database that tracks settlements and adjustments over $50,000. This new tool provides a means to sort data by root cause to determine trends and potential areas in need of process improvements.

66. With respect to rate administration, in addition to the dedicated contract management organization responsible for the development of price schedules for and management of pricing for each interconnection agreement,[50] SBC Midwest has reviewed existing processes and implemented improvements and controls as well as introduced new processes and controls. For example, during August 2002, SBC Midwest implemented an organization that provides a single point of interface between the SBC state and federal regulatory organizations and its Contract Management Organization to ensure that up-to-date regulatory filed and approved billing information and dates are implemented in the CMA database. During April 2003, the single point of interface organization was supplemented to provide additional support in the area of follow-up and validation. During this same timeframe, a control process was implemented between product management and contract management to manage rate changes originated by product management as opposed to regulatory changes to billing.

67. Likewise, during March 2003, the key stakeholders representing contract management and CABS production support reviewed the processes for the distribution and exchange of information from the point of rate changes to the point of billing implementation. The team reviewed the distribution process in detail and implemented process improvements for the distribution of rate table data from the contract management pricing team to the CABS billing team. This effort resulted in formally documented process outlining steps and timeframes for each step.

68. SBC Midwest has continued to review and implement process improvements. One recent example is that SBC Midwest is now consistently requiring that CABS production

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[50] *See* Brown/Cottrell/Flynn Joint Supp. Aff. ¶¶ 73-74.

support to load any rate changes that involve a prior effective billing date into an off-line test environment prior to loading the change into production to determine the financial assessment of the rate changes. The output of the test is provided to Contract Management for purposes of comparison of the financial impact against an expected result when the change is significant.

69. When SBC Midwest identifies CSI inaccuracies, these inaccuracies are corrected. BearingPoint's testing of the CSI record accuracy for Illinois, Michigan, and Ohio resulted in SBC Midwest slightly missing BearingPoint's benchmark of 95 percent. However, SBC Midwest exceeded BearingPoint CSI testing benchmark in Indiana (96.0 percent) and Wisconsin (96.2 percent). When BearingPoint performed this portion of the OSS Test, there were instances in which BearingPoint counted as an error items, which simply had not yet updated. As a result of the combined test results, SBC Midwest agreed to implement a CSI accuracy improvement plan, which was filed with the MPSC on March 13, 2003. *See* SBC's Modified Compliance and Improvement Plan Proposals, *On the Commission's Own Motion, to Consider Ameritech Michigan's Compliance with the Competitive Checklist in Section 271 of the Federal Telecommunications Act of 1996*, Case No. U-12320 (Mar. 13, 2003) (Supp. App. C, Tab 8).

70. Contrary to CLEC allegations, it is clear that SBC Midwest has existing processes and procedures in place to ensure that it bills CLECs accurately. In addition, SBC Midwest has shown its commitment to refining or updating its processes when appropriate. Thus, SBC Midwest not only provides auditable, timely, and accurate bills today, but also has processes in place that will help to ensure it continues to do so in the future.

BILLING DISPUTE RESOLUTION

71. Notwithstanding the evidence of the accuracy and reliability of SBC Midwest's billing systems and processes – confirmed not only by BearingPoint but by the MPSC and E&Y – it is simply inevitable that, from time to time, errors will occur within the billing process. But that does not mean that there are systemic billing issues or that SBC Midwest does not satisfy the requirements of Checklist Item 2. SBC Midwest has specific and workable processes and procedures in place to (a) ensure the overall accuracy and auditability of its wholesale bills and (b) resolve the inevitable disputes that arise regarding such bills. The disputes that do arise are generally the result of specific contract interpretation issues, rate administration issues, or simple misunderstandings and/or human errors. And when errors are identified – either unilaterally by SBC Midwest or as a result of the established dispute resolution process – those errors are corrected.

72. In addition, as noted in its Supplemental filing, SBC Midwest has been working with the CLECs in a Billing Sub-Committee Billing Auditability Improvement Plan. As part of this sub-committee, operational questions with respect to the billing claims process are being answered and processes are being discussed and improved. Currently, there are proposals that have been shared with the CLEC community for the timeliness of acknowledging the claims received and the timeliness of resolving the claims. While SBC Midwest's position will be that these PMs should be implemented in lieu of current billing PMs, not in addition to current PMs, SBC is confident that the details of such measurements, once finalized, agreed-to by the collaborative, and implemented, will provide additional insight into the process of resolving billing claims.

73. Over 56 CLEC billing issues have been raised since the Billing subcommittee formed in the CUF on February 19, 2003. To date, 29 of those issues have been fully resolved. The parties are actively discussing the other issues, most recently at the subcommittee meeting held on June 12, 2003. For instance, as a result of the subcommittee discussions, SBC Midwest proposed a claims trial to allow CLECs to utilize the current standard forms and procedures but reduce the amount of information a CLEC must submit for multiple occurrences of the same issue. This may allow the LSC to investigate and resolve certain types of claims on an "issue" level, instead of an "item" level, potentially leading to more timely and efficient processing. Phase I of this trial, using simulated claims has completed and the results have been shared with the sub-committee members. Phase II using live claims is currently in progress. SBC Midwest believes that it is on target for completion of all remaining actions in accordance with the dates established in the Commissions' approved plan.

74. Notwithstanding SBC Midwest's efforts, TDS states that it has experienced problems with the dispute resolution process.[51] However, TDS has recently submitted recommended process improvements to the Account Team. In turn, the Account Team has submitted TDS' recommendations to the CLEC Billing Sub-Committee, in which TDS is an active participant. These recommendations have been reviewed and are scheduled to be addressed at the next Sub-Committee meeting in August. Many of the suggestions that TDS has recommended will be adopted based on the input of all CLEC participants.

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[51] *See* Affidavit of Rod Cox ¶ 29, *attached to* TDS Comments ("Cox Aff.").

75. Furthermore, Mr. Cox' opinion regarding SBC Midwest's billing dispute process[52] is not one that seems to be universally shared by fellow TDS employees. In an email to the LSC's Billing group management team, a Mr. Todd McNally of TDS states, "TDS has done their fair share of raising concerns with SBCs billing operations, but I wanted to take the time to compliment SBC on their efforts relating to a specific enhancement that they have implemented regarding the Billing Dispute Claim Resolution form. I am starting to see that the forms are coming back with the BAN and Customer Claim # which is very useful. Please pass this note on to those who have helped implement this specific enhancement." *See* Attachment B. While Mr. McNally is referring to a specific enhancement, his email is an example of SBC Midwest's willingness to work collaboratively TDS and all CLECs in order to resolve issues. Mr. Cox' blanket statement regarding the billing dispute process is rather disingenuous given the fact that his own organization recognizes the efforts being made by SBC Midwest on TDS' behalf.

76. In addition, MCI's Ms. Lichtenberg claims that, "SBC's tendency to engage in protracted discussion of even clear issues before obtaining resolution, forc[es] MCI to expend significant resources in negotiation."[53] Ms. Lichtenberg adds that, "a major part of the billing problem with SBC is the difficulty of working out disputes that do arise."[54]

77. The LSC Billing team has specific procedures and processes in place in order to make "every effort to resolve each claim within 30 days."[55] The LSC Billing team investigates CLEC claims and processes the appropriate credits or sustains the charges depending on

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[52] *Id.*

[53] Lichtenberg Decl. ¶ 37.

[54] *Id.*

[55] Brown/Cottrell/Flynn Joint Supp. Aff. ¶ 116.

the results of its investigation. If the CLEC disagrees with the LSC Billing team's findings, it can resubmit the claim along with further supporting documentation that may better substantiate the claim. If the LSC again finds that the charges are warranted and sustains them, the CLEC has the opportunity to dispute the charges through its SBC Midwest Account Manager. The LSC monitors claims on a case by case basis. When quality reviews are conducted by the Line Managers, it is noted if the claim was completed within 30 days, and if not, whether the appropriate communications were made to the CLEC.

78. The Claims checklist includes items such as:

- Review Interconnection Agreement site for contract information. If disputed rates are not included in the Interconnection Agreement, determine which Tariff applies and refer to on-line Tariff for rates.
- If unable to resolve claim within 29 days of receipt: Contact CLEC via <u>Email</u> to advise of current status of claim. Give estimated completion date of claim and set another FLUP for that date. Continue with this process until claim is either closed by the LSC or referred to BCATS.
- Update WebTAXI with date, time, name and notes of action taken in the <u>resolution text field</u>, change the status in WebTAXI to referred. Notes should be kept in resolution text until the claim is resolved. At claim resolution, copy resolution notes to the notes screen. All CLEC comments should then go into the Resolution text field. Be very specific, this is communication to the CLEC.

79. If a claim or adjustment is denied, the explanation of the denial is provided to the CLEC within the resolution text that is sent back to the CLEC. The expectation is that the text will include information that indicates how the LSC came to the resolution of denial. For example; "Denied, according to the contract, paragraph 1.10.5 the charge for UNE-P is $xx.xx. Based on charges noted on your invoice, the charge is appropriate." The timeframe for providing the explanation is simultaneous with the resolution of the claim.

80. Finally, TDS asserts that back bills present considerable problems.[56] There were a few categories where TDS was back billed during 2002/2003. In those categories, TDS had not been billed for anything beyond what their contract allows, and in some cases for a lesser duration than what SBC Midwest was legally entitled. In addition, TDS understands the applicability of rates and understands how to budget for services ordered. When a billing error has been realized as a result of a billing change or audit, Accessible Letters or account team notifications have been sent out in advance of the actual billing, to allow the CLEC to prepare for the resultant debits or credits. In addition, many CLECs such as TDS have requested additional months to pay back billed charges so as to have an opportunity to fully reconcile billing prior to payment. This delay in payment and/or extended payment arrangements has allowed CLECs cash flow to be minimally impacted.

81. Moreover, Late Payment Charge ("LPC") adjustments are incorporated into the Claims Investigation Process Checklist. The specific direction given to the SBC Midwest LSC Service Representative states that, "If adjustment/credit is required: (the Service Representative should) Verify if interest or Late Payment charges should be credited. (See Adjustment section).

82. The Adjustment section of the Service Representative Methods and Procedures ("M&P") further explains the process to be followed by the Service Representative as follows: When the claim has been investigated and results in an adjustment, issue the adjustment. Once all items on the claim spreadsheet are resolved, the status of the claim can be changed to Resolved and Closed. A Resolution Letter will be sent identifying the amount

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[56] *See* Cox Aff. ¶¶ 27-28.

to be adjusted. If the claimed amount is adjusted (in favor of the customer), Late Payment Charges will also be adjusted.

MISCELLANEOUS CLEC ALLEGATIONS

AT&T CORPORATION

83. AT&T points to an issue that recently was identified related to the DUF process, presumably demonstrating that SBC Midwest's billing systems are not checklist compliant.[57] Simply stated, the issue involved a transposition of the record category from a category "10" record to a category "01" record. Since the records were indeed accurate and generally contained the same data, most CLECs did not request that SBC Midwest reprocess and resend the records as offered in the Accessible Letter[58] on this topic. In fact, only 6 carriers have requested the data to be reprocessed as of July 14, 2003, which accounted for less than 1% of the total DUF records for the month of June. Moreover, this issue demonstrates SBC's responsiveness when faced with such a problem. This issue of mislabeling of records began on June 7, and SBC Midwest first learned of the problem on June 12. The problem was investigated, isolated, fixed, tested and a solution was implemented by July 16. All files were reprocessed and made available to the CLECs and an Accessible Letter was distributed to all CLECs on June 26. This issue also demonstrates that when a billing systems issue is identified either internally by SBC or by a single CLEC, SBC will correct such impacts across all CLECs.

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[57] *See* DeYoung/Tavares Decl. ¶ 17.

[58] *See* Accessible Letter CLECAM03-223 (June 26, 2003), available at https://clec.sbc.com/clec/accletters/home.cfm.

CLECA

84. CLECA continues to submit the same vague, unsupported claims it has in the past. For instance, CLECA's claims of billing inaccuracies stems from an affidavit of one of its members, LDMI, that was presented to the MPSC in December 2002.[59] Moreover, SBC Midwest has already fully addressed these claims from LDMI.[60] SBC Midwest remains ready to discuss other specific issues with LDMI should the need arise.

MCI

85. Ms. Lichtenberg claims that, "MCI has made somewhat more progress in resolving disputes concerning Universal Service Order Codes ("USOCs") but that progress has been halting at best."[61] She states that, "SBC has been charging MCI for a number of USOCs that are incorrect" and that "SBC has now agreed that they are incorrect, but it is not yet clear that SBC will take sufficient steps to ensure that the problem is not repeated."[62] MCI has also raised issues with charges related to migrations, disconnects and truck rolls.[63] Based on SBC Midwest's investigation, SBC Midwest had agreed to provide MCI credits related to these items. These issues are largely related to human errors and impact a small percentage of MCI's orders and thus, are not indicative of SBC Midwest's Billing accuracy. SBC Midwest is committed to working with MCI, and all CLECs, to resolve human error when it occurs. In addition, SBC Midwest has introduced process improvement to ensure the appropriate chargeable USOCs are applied. As

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59 *See* Comments of the Competitive Local Exchange Carrier Association of Michigan, WC Docket No. 03-138 at 11 (FCC filed July 2, 2003) ("CLECA Comments").

60 *See* Brown/Cottrell/Flynn Joint Reply Aff. ¶¶ 24, 35, 40, *attached to* Reply Comments of SBC Communications, WC Docket No. 03-16 (FCC filed Mar. 4, 2003).

61 *See* Lichtenberg Decl. ¶ 38.

62 *See* Lichtenberg Decl. ¶ 38.

63 *Id.* ¶¶ 38-43.

discussed in the Affidavit of Justin W. Brown, the LSC has enhanced its processes to identify and coach service representatives who make repetitive manual errors. Specifically, as defined in the CSR and Directory Listing Accuracy compliance plan filed with the MPSC, the LSC has implemented a quality tracking database and streamlined the process for sampling, tracking and coaching service reps when errors are identified. SBC Midwest is committed to further enhancement of service order quality. In addition, SBC Midwest and MCI continue to meet weekly to discuss billing issues. SBC Midwest will continue to work with MCI to address these and other issues in a business-to-business manner and endeavors to provide MCI with timely and accurate information.

86. In addition MCI asserts that, for years in Michigan, SBC Midwest has been charging MCI a loop rate that is higher than the appropriate rate.[64] MCI asserts that SBC Midwest has now backed away from an agreement, and forced MCI unnecessarily to amend its interconnection agreement to resolve the issue on a going forward basis.[65] While it is true that SBC Midwest and MCI originally attempted to resolve the loop rate issue in the context of a larger settlement negotiation, it has always been SBC Midwest's position that MCI's Interconnection Agreement was clear on the appropriate charges.[66]

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64 *Id.* ¶ 36.

65 *Id.*

66 It is Michigan Bell's position that an interconnection agreement is a binding contract that generally sets forth all of the provisions under which the parties to the agreement have agreed to operate. Accordingly, as a general rule if the CLEC's interconnection agreement contains rates, terms and conditions ("provisions") for a product or service, then the item should be ordered under the agreement. If an agreement does not contain provisions for a product or service, and the item is offered in Michigan Bell's effective tariff, the CLEC may purchase from the tariff. However, in such cases, Michigan Bell will request and believes it is appropriate for the CLEC to amend its agreement to incorporate provisions for the product and/or service or to incorporate by reference, the provisions of Michigan Bell's effective tariffs (as those tariffs may change from time to time) for the product and/or service, along with any associated provisions, into the CLEC's agreement). This procedure avoids ambiguity about what provisions apply between the parties at any given time. In some instances, arbitrated agreements in Michigan contain language as a result of MPSC order(s), which allow a CLEC to purchase products and services from either its interconnection agreement or Michigan Bell's tariffs. In such cases, however, the CLEC must purchase the entire product or service – including associated provisions – from the tariff (or the agreement), as applicable. Michigan Bell will comply with any MPSC order on this subject, subject to any associated appeals or review.

Unfortunately, the parties were unable to reach a mutually acceptable outcome. SBC Midwest continues to contend that MCI would need to amend its ICA to take advantage of the revised UNE-P tariff loop rates. Therefore, MCI has recently requested a pricing amendment to their current ICA to take advantage these rates.

NATIONAL ALEC ASSOCIATION

87. The National ALEC Association ("NALA") claims that disputed charges often linger for months, and in some cases years without resolution, tying up the working capital of CLECs and lessening their ability to expand service offerings.[67] For example, NALA references the call-blocking dispute between one NALA member and SBC Midwest has been unresolved for more than 18 months.[68] While SBC Midwest has not been provided the specific member NALA references, SBC Midwest is aware of a potential NALA member dispute. For a detailed discussion of this issue refer to the Supplemental Reply Affidavit of Scott J. Alexander (Supp. Reply App. A, Tab A).

88. However, generally speaking, the primary reason that some NALA members or CLEC claims may not be resolved in a timely manner is that in some instances, parties simply do not agree on the resolution of a given claim. For example, SBC Midwest may believe that it is owed a specific charge or set of charges from an NALA member or CLEC and the NALA member and/or CLEC may disagree with that assessment. Under those circumstances, the parties' interconnection agreement defines the steps that both parties must take to resolve the claim. That may or may not include negotiation by the SBC Midwest Account team and/or CLEC representative or may include an official arbitration

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[67] *See* Opposition of National ALEC Association/Prepaid Communications Association, WC Docket No. 03-138, at 3-4, (FCC filed July 2, 2003) ("NALA Comments").

[68] *Id.*

hearing in front of a state commission. NALA would apparently have SBC Midwest acquiesce to whatever its member or a CLEC representative would propose without regard to the due diligence and fiduciary duties required of all providers.

SAGE

89. Sage alleges that SBC Midwest fails to render complete and accurate call detail records ("CDRs") so Sage can collect all access revenues to which it is entitled. Sage alleges that an audit of its May 2003 CDRs for Michigan indicates that the terminating access CDRs received from SBC underreport the volume of traffic terminated by Sage by more than 14% (some states are off by over 70%). *See* Comments of Sage Telecom, WC Docket No. 03-138, at 11 (FCC filed July 2, 2003). SBC had been able to determine that Sage recently brought this issue to their SBC account team regarding questions about drops in terminating access records for certain IXCs in Texas, another SBC service area, claiming that they did not receive all the records they were entitled. These claims were based on an internal Sage audit did on the records they were receiving that SBC has not yet been able to substantiate as accurate. A subsequent list provided by Sage to their account team on June 25, 2003, did include Michigan numbers Sage asserted were missing records, but this was the first time that SBC had been made aware of a similar claim in Michigan specifically. While the asserted lack of DUF records in itself is not a sufficient information to investigate the claim, SBC has been working with Sage to investigate this issue and the appropriate contacts in SBC Midwest have now been engaged to further the investigative efforts. SBC is currently waiting on additional data from Sage that will assist the investigation and analysis of the records in question in Michigan. SBC has and

will continue to work with Sage until the investigation is completed and any corrective action, if necessary, is implemented.

TDS METROCOM

90. TDS acknowledges that SBC Midwest has made some progress in solving specific billing related errors as they arise, but also indicates that SBC Midwest has yet to prove that it has done a comprehensive review of their processes and systems to correct hidden errors and ensure future errors are minimized.[69] However, other than outdated disputes or minor issues either currently in negotiation or corrected by SBC Midwest, TDS provides no evidence of systemic billing issues in Michigan.[70]

91. For instance, TDS claims that SBC Midwest's statements regarding backbilling of approximately $966,000 associated with an optional service under its interconnection agreement, Appendix Hosting "are not entirely correct."[71] TDS claims that "SBC is obviously wrong [in its legal position] since it also admits that the service is provided pursuant to its interconnection agreement with TDS Metrocom, which was negotiated and approved pursuant to Sections 251 and 252."[72]

92. Under the Hosting arrangement, SBC Midwest acts as the "host" for TDS on the Centralized Message Distribution System ("CMDS"). This allows TDS (1) to send and receive call detail data to and from third-parties on a national basis and (2) to settle with third parties and SBC Midwest for the alternately billed local/toll intrastate intraLATA

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69 *See* TDS Comments at 8.

70 Most of Mr. Cox' allegations have been previously addressed in WC Docket No. 03-16 (*e.g.*, incorrect rate allegations, *see* Brown/Flynn/Cottrell Joint Reply Aff. ¶¶ 25-31; special construction charges a/k/a loop conditioning charges, *see* Brown/Flynn/Cottrell Joint Reply Aff. ¶ 33; charges for toll reciprocal compensation charges, *see* Brown/Flynn/Cottrell Joint Reply Aff. ¶ 34).

71 TDS Comments at 10-11.

72 *Id.* at 11.

calls (*i.e.*, collect, third number and calling card) that are originated by TDS or billed to TDS end users. SBC Midwest offers this optional service to assist CLECs who find it useful, not because TDS incorrectly thinks it is part of the requirements of sections 251 and 252 of the Act.

93. SBC Midwest utilized the Common Ameritech Message Processing System on an interim basis to produce reports for the settlement of alternately billed intraLATA toll and local calls until Telcordia Non Intercompany Settlement ("NICS") reports were available, as outlined in the parties interconnection agreement.[73] In the conversion process, it was determined that certain records were inadvertently omitted from the CAMPS reports. More specifically, SBC Midwest determined that the CAMPS report logic only generated settlements when the record had a "0" in Indicator 5. Records that were populated with something other than a "0" were inadvertently excluded from the CAMPS settlement process. Converting to the Telcordia NICS process allowed SBC Midwest to more accurately develop settlement reports. These reports were used to back-bill CLECs for records that had been omitted from the previous reports.

94. TDS also disputed the accuracy of SBC Midwest's prior representations as to the status of TDS's claim regarding the billing of reciprocal compensation and toll charges.[74] As SBC Midwest has previously explained, however, under certain conditions, a CLEC will be billed reciprocal compensation for toll calls, even if it is not a toll provider – such as where intraLATA toll calls are passed by TDS to SBC Midwest over the local/intraLATA toll interconnection trunks. Depending on the NPA/NXX from which

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73 Initially, Telcordia did not have a product (NICS) to support the settlement of alternately billed calls and therefore the CAMPS reports were utilized.

74 *See* Affidavit of Rod Cox, ¶ 64, *attached to* Comments of TDS Metrocom, WC Docket No. 03-16 (FCC filed Feb. 6, 2003).

the call originated and the mandatory Commission-approved local calling areas, SBC Midwest will bill either (a) reciprocal compensation for local calls or (b) terminating switched access for toll calls. On April 8, 2003, SBC Midwest provided TDS call detail records in support of the toll billings in an attempt to resolve this issue. SBC Midwest has received additional questions from TDS regarding the call detail records and continues to work with TDS to close the issue.

95. TDS states that SBC Midwest continues to bill TDS for joint SONET facilities and Design and Central Office Construction, Customer Connection, and Administration when it agreed not to charge TDS for such services.[75] This claim arises from a special arrangement whereby TDS and SBC Midwest agreed to jointly develop SONET facilities. Under this arrangement, SBC Midwest agreed not to charge TDS for DS3 lines running over the joint facilities. TDS was mistakenly charged for some DS3 lines because the Trunk Inventory Record Keeping System ("TIRKS") was not updated to reflect which circuits were joint circuits. It is important to note that this was an error in updating the TIRKS database, and does not raise issues with SBC Midwest's billing OSS. Although the TIRKS database was updated as of October 2002, SBC Midwest continued to work with TDS to provide the appropriate adjustments for prior periods. Although SBC thought this issue was resolved with TDS in May 2003, it appears that one additional SONET BAN was identified by TDS that was owed an adjustment. SBC is in the process of crediting the account. The errors have been corrected resulting in a credit of *** *** to TDS. Further research is being conducted to determine the remaining disputed amount of *** ***. It is SBC Midwest's understanding that TDS

[75] *See* Cox Aff. ¶ 20.

agrees that all other claims have been adjusted and closed, without requiring any additional claims to be filed. The incorrectly billed USOC has been corrected to reflect a zero-rate, which will eliminate the need for any further disputes or adjustments.

96. Additionally, disputes have arisen over the cost of design and construction of central office collocation facilities.[76] SBC Midwest agrees that under the current TDS interconnection agreement central office design and construction of central office collocation facilities is $0 rated. SBC Midwest mistakenly only adjusted the late payment charges, monthly recurring mileage charges and some non-recurring charges, omitting some of the non-recurring charge adjustments due TDS. SBC Midwest is in the process of crediting the account. SBC Midwest has confirmed that the accounts are billing correctly on a prospective basis.

97. TDS states that SBC Midwest has been billing the wrong rates for transit traffic in one state and that SBC Midwest does not provide adequate information on its bills to complete a simple reconciliation.[77] SBC Midwest recently identified that rate updates for Transit billing were not implemented for TDS in Illinois. SBC Midwest informed TDS that rate updates were made effective with the June usage billing on the July invoices and that retroactive credits would be applied on the TDS July invoice in accordance with the terms and conditions of TDS's interconnection agreement. This was an isolated incident and is not an issue in Michigan.

98. SBC Midwest recently developed M&P and additional tools to ensure that customers are established with the appropriate billing rates. SBC Midwest does provide TDS with a

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[76] *Id.* ¶ 22.

[77] *Id.* ¶ 25.

Transiting Service Detail Usage Report that accompanies the bill. The report currently provides billing detail including volume of messages, minutes of usage, and amount billed by LATA, terminating OCN, originating NPA/NXX and rate element. In addition, a change request is under development to enhance the Transiting Service Detail Usage Report to include additional information including the actual rates applied to the billing volumes.

99. Mr. Cox alleges that there is a "significant new problem relate[d] to SBC's billing for redundant collocation power."[78] Mr. Cox claims that, "SBC has dropped another unexpected back bill on TDS Metrocom's doorstep, … is billing TDS Metrocom using a rate structure that is completely different from what is contained in the interconnection agreement between the parties … [and] is not entitled to the charges it seeks from TDS Metrocom."[79] This issue is fully discussed in the Supplemental Reply Affidavit of Scott J. Alexander.

100. Finally, Mr. Cox also alleges that, "TDS Metrocom's own experience with SBC is that since August 2002, TDS Metrocom has opened disputes equal to approximately 20% of the total amount billed by SBC during the period." Cox Aff. ¶ 27. Mr. Cox is correct in that TDS has disputed 19.41% of the total amount that SBC Midwest bills TDS in Michigan. However, that does not mean that TDS in entitled to the 19.41% in question nor should one assume that SBC Midwest billed TDS inappropriately for those dollars. For example, SBC Midwest believes that it has been billing TDS properly for "redundant" collocation power within its collocation spaces. However, TDS recently filed disputes for its power arrangements in the total amount of *** *** in

[78] *Id.* ¶ 23.

[79] *Id.*

Michigan. That means that over 22%[80] of TDS's total Michigan dollars in dispute during the period of August 2002 through June of 2003 (*** ***) is related to a single disputed issue between the parties. Finally, a review of the claims received by SBC Midwest for TDS in Michigan for UNE revenue indicates that there are no claims in Michigan that remain open as of July 18, 2003.

101. As the result of investigating a recent CLEC billing claim, SBC has determined that approximately 1400 UNE-P circuits across SBC's five Midwest states have been billed incorrectly due to an ordering system error introduced with the March 2003 OSS release. Although this issue impacts a limited number of circuits and was not raised in the CLEC comments, nonetheless, SBC is proactively submitting this information. As a result of its findings, SBC will implement a correction on August 1, 2003, to resolve this problem prospectively. SBC will also initiate efforts to issue appropriate adjustments for the impacted circuits back to the date that this issue was introduced on March 15, 2003. SBC will also issue an Accessible Letter to communicate appropriate information to the impacted CLECs.

CONCLUSION

102. In sum, SBC Midwest's billing systems provides CLECs with nondiscriminatory access to billing functionality. This is true despite the incredible complexity and scope of billing functionality SBC Midwest provides to CLECs, as well as the large commercial volumes of billing transactions processed by SBC Midwest's billing OSS. While CLECs have raised issues concerning SBC Midwest's billing systems, those issues fail to demonstrate

[80] Claims for collocation power filed by TDS Metrocom June 19, 2003 in the amount of *** *** total dollars disputed by TDS Metrocom from August 2002 through June 2003 = 22.06%.